SHARJAH ISLAMIC BANK PJSC

DIRECTORS' REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024

SHARJAH ISLAMIC BANK PJSC

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the three month period ended 31 March 2024.

Financial highlights

As of 31 March 2024, the total assets of the Bank amounted to AED 70.1 billion, showing an increase of 6.4% compared to AED 65.9 billion as at 31 December 2023. The investment securities measured at amortized cost experienced a significant growth of 23% during the period, reaching AED 11.8 billion compared to AED 9.6 billion as of 31 December 2023. Investments in Islamic financing remained stable, with a 1% increase or AED 0.3 billion, taking the total outstanding amount to AED 33.4 billion as of 31 March 2024, in comparison to AED 33.0 billion as of 31 December 2023. Customer deposits remained stable to reach AED 45.1 billion as compared to AED 45.2 billion as at 31 December 2023, demonstrating a stable overall liquidity position of the Bank, which stands at 21.8% as at 31 March 2024. Shareholders' equity amounted to AED 8.1 billion as of 31 March 2024.

The net operating income before impairment, net of recoveries, for the Group increased by AED 2.7 million for the three month period ended 31 March 2024. The impairment charges on financial assets, net of recoveries, for the three month period ended 31 March 2024, totaled AED 45 million, indicating a 52.5% decrease compared to the three month period ended 31 March 2023. As a result, profit before tax increased by AED 52.3 million to reach AED 285.4 million for the three month period ended 31 March 2024 as compared to AED 233 million for the three month period ended 31 March 2023. Taxation expense for the three month period ended 31 March 2024 was AED 25.8 million in compliance of the UAE Corporate Tax Law, as applicable, from 1 January 2024. As a result, a net profit of AED 259.7 million was recorded for the three month period ended 31 March 2024, as compared to AED 233.1 million for the three month period ended 31 March 2023, reflecting a 11.4% increase.

Abdul Rahman Mohammed Naseer Al Owais
Chairman
22 April 2024

KPMG Lower Gulf Limited
The Offices 5 at One Central
Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of the Sharjah Islamic Bank PJSC

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which consisting of:

- the condensed consolidated interim statement of financial position as at 31 March 2024:
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2024:
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2024:
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2024:
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2024: and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 22 January 2024. Furthermore, the condensed consolidated interim financial information of the Group as at and for the three-month period ended 31 March 2023 was reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial information on 18 April 2023.

KPMG Lower Gulf Limited



Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: 22 APR 2024

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	Notes	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
Assets			
Cash and balances with banks and financial institutions	*6*	**3,967,749**	3,436,612
Murabaha and wakalah with financial institutions	*7*	**11,317,546**	10,240,664
Investment securities measured at fair value	*8*	**3,841,997**	3,961,739
Investment securities measured at amortised cost	*9*	**11,787,682**	9,582,292
Investments in Islamic financing	*10*	**33,364,464**	33,030,434
Acceptances		**202,247**	209,135
Properties held-for-sale		**582,618**	526,215
Investment properties	*22*	**3,008,216**	2,822,991
Other assets	*11*	**1,094,762**	1,117,292
Intangible assets	*12.2*	**60,631**	61,664
Property and equipment	*12.1*	**888,282**	889,943
Total assets		**70,116,194**	**65,878,981**
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	*13*	**45,078,809**	45,206,574
Due to banks		**13,251,038**	9,053,932
Acceptances		**202,378**	209,603
Sukuk payable	*14*	**1,835,139**	1,834,869
Other liabilities	*15*	**1,639,106**	1,381,333
Zakat payable		**53,932**	66,002
Total liabilities		**62,060,402**	**57,752,313**
Shareholders' equity			
Share capital	*16*	**3,235,678**	3,235,678
Tier 1 sukuk		**1,836,500**	1,836,500
Legal reserve		**1,617,838**	1,617,838
Statutory reserve		**89,008**	89,008
General impairment reserve		**206,790**	164,617
Fair value reserve		**(134,902)**	(183,849)
Retained earnings		**1,204,880**	1,366,876
Total shareholders' equity		**8,055,792**	**8,126,668**
Total liabilities and shareholders' equity		**70,116,194**	**65,878,981**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 22 April 2024.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohamed Ahmed Abdalla
Chief Executive Officer

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	Notes	For the three month period ended 31 March 2024 Un-audited	2023 Un-audited
Income from investments in Islamic financing and sukuk		**858,066**	694,602
Distribution to depositors and sukuk holders		**(489,980)**	(324,225)
Net income from financing and investment products		**368,086**	**370,377**
Fee and commission income	*18*	**102,448**	74,024
Fee and commission expense	*18*	**(24,622)**	(16,187)
Net fee and commission income		**77,826**	**57,837**
Investment income		**7,961**	11,537
Foreign exchange income		**17,355**	16,680
Other income	*19*	**33,519**	27,415
Total operating income		**504,747**	**483,846**
General and administrative expenses		**(174,345)**	(156,125)
Net operating income before impairment		**330,402**	**327,721**
Impairment on financial assets - net of recoveries		**(44,996)**	(94,655)
Profit before tax		**285,406**	**233,066**
Taxation	*27*	**(25,750)**	-
Profit for the period		**259,656**	**233,066**
(Attributable to the shareholders of the Bank)			
Basic and diluted earnings per share (U.A.E. Dirhams)	*29*	**0.07**	**0.06**

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	Note	For the three month period ended 31 March 2024 Un-audited	2023 Un-audited
Profit for the period (Attributable to the shareholders of the Bank)		**259,656**	233,066
Other comprehensive income			
Items that will be reclassified to profit or loss			
Change in fair value reserve on FVTOCI sukuk investments		**57,686**	(20,049)
Items that will not be reclassified to profit or loss			
Change in fair value reserve on FVTOCI equity investments		**(3,896)**	1,935
Related tax on other comprehensive income	*27*	**(4,843)**	-
Total comprehensive income for the period - net off tax (Attributable to the shareholders of the Bank)		**308,603**	**214,952**

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	For the three month period ended 31 March	
	2024 Un-audited	**2023 Un-audited**
Cash flows from operating activities		
Profit before tax	**285,406**	233,066
Adjustments for:		
- Amortisation and depreciation	**13,584**	10,611
- Amortisation of sukuk issuance costs	**270**	627
- Provision charge on investments in Islamic financing	**46,182**	85,800
- Provision charge on investment securities measured at fair value	**1,642**	1,172
- Provision charge on investment securities measured at amortised cost	**559**	6,437
- (Reversal) / provision on other financial assets	**(4,169)**	845
- Provision charge on subsidiaries	**782**	401
- Loss on disposal of properties held for sale	**-**	366
- Gain on disposal of investment properties	**-**	(5,555)
- (Gain) / loss on disposal of investment securities measured at fair value	**(6,128)**	784
- Revaluation on investment securities measured at fair value through profit and loss	**5,902**	(4,813)
- Foreign exchange loss / (gain) on properties	**1,509**	(4,065)
- Gain on disposal of property and equipment	**(3)**	-
Operating cash flows before changes in operating assets and liabilities	**345,536**	**325,676**
Changes in:		
- Balances with Central Bank of the UAE	**(1,260,157)**	1,204,247
- Murabaha and wakalah with financial institutions	**(366,431)**	(561,623)
- Investments in Islamic financing	**(380,212)**	183,820
- Other assets and acceptances	**32,805**	270,800
- Properties held for sale	**(56,403)**	(16,093)
- Customers' deposits	**(127,765)**	2,349,601
- Due to banks	**4,126,101**	(810,004)
- Other liabilities and acceptances	**209,606**	(329,326)
Net cash generated from operating activities	**2,523,080**	**2,617,098**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	**(10,929)**	(6,588)
Disposal of property and equipment and intangible assets	**42**	-
Acquisition of investment properties	**(186,734)**	(6,283)
Disposal of investment properties	**-**	31,695
Acquisition of investment securities measured at fair value	**(30,405)**	(15,979)
Disposal / redemption of investment securities measured at fair value	**202,870**	528,202
Acquisition of investment securities measured at amortised cost	**(2,457,349)**	(2,248,641)
Redemption on investment securities measured at amortised cost	**251,400**	-
Net cash used in investing activities	**(2,231,105)**	**(1,717,594)**

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	For the three month period ended 31 March	
	2024	**2023**
	Un-audited	**Un-audited**
Cash flows from financing activities		
Profit paid on tier 1 sukuk	**(45,912)**	(45,912)
Zakat paid	**(12,070)**	(7,614)
Cash dividend	**(323,567)**	(308,160)
Net cash used in financing activities	**(381,549)**	**(361,686)**
Net (decrease) / increase in cash and cash equivalents	**(89,574)**	537,818
Cash and cash equivalents at the beginning of the period	**5,768,822**	7,314,123
Cash and cash equivalents at the end of the period	**5,679,248**	**7,851,941**

	As at 31 March 2024	**As at 31 March 2023**
	Un-audited	**Un-audited**
Cash and cash equivalents		
Cash and balances with banks and financial institutions	**867,367**	820,128
Murabaha and wakalah with financial institutions	**4,908,681**	7,103,409
Due to banks	**(96,800)**	(71,596)
Cash and cash equivalents at the end of the period	**5,679,248**	**7,851,941**

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							
	Share capital	**Tier 1 sukuk**	**Legal reserve**	**Statutory reserve**	**General impairment reserve**	**Fair value reserve**	**Retained earnings**	**Total shareholders' equity**
As at 1 January 2023 (Audited)	**3,081,598**	**1,836,500**	**1,541,200**	**89,008**	**41,602**	**(305,576)**	**1,348,076**	**7,632,408**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	233,066	**233,066**
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(18,114)	-	**(18,114)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(18,114)**	**233,066**	**214,952**
Transactions recorded directly in equity								
Bonus shares issued (note 24)	154,080	-	-	-	-	-	(154,080)	-
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	4,450	(4,450)	-
Cash dividend (note 24)	-	-	-	-	-	-	(308,160)	**(308,160)**
Transfer to general impairment reserve	-	-	-	-	(17,711)	-	17,711	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	**(45,912)**
Board of directors' fees	-	-	-	-	-	-	(10,000)	**(10,000)**
Total	**154,080**	**-**	**-**	**-**	**(17,711)**	**4,450**	**(504,891)**	**(364,072)**
As at 31 March 2023 (Un-audited)	**3,235,678**	**1,836,500**	**1,541,200**	**89,008**	**23,891**	**(319,240)**	**1,076,251**	**7,483,288**

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2024 (Audited)	**3,235,678**	**1,836,500**	**1,617,838**	**89,008**	**164,617**	**(183,849)**	**1,366,876**	**8,126,668**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	**259,656**	**259,656**
Other comprehensive income								
Net change in fair value reserve - net off tax	-	-	-	-	-	**48,947**	-	**48,947**
Total comprehensive income for the period	-	-	-	-	-	**48,947**	**259,656**	**308,603**
Transactions recorded directly in equity								
Cash dividend (note 24)	-	-	-	-	-	-	**(323,567)**	**(323,567)**
Transfer to general impairment reserve	-	-	-	-	**42,173**	-	**(42,173)**	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	**(45,912)**	**(45,912)**
Board of directors' fees	-	-	-	-	-	-	**(10,000)**	**(10,000)**
Total	-	-	-	-	**42,173**	-	**(421,652)**	**(379,479)**
As at 31 March 2024 (Un-audited)	**3,235,678**	**1,836,500**	**1,617,838**	**89,008**	**206,790**	**(134,902)**	**1,204,880**	**8,055,792**

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the “Bank”) was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates ("UAE") and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari’a principles and regulations of Central Bank of the UAE ("CBUAE"), which are carried out through its 32 branches *(As at 31 December 2023: 32 branches)* established in the UAE.

At an extraordinary shareholder’s meeting held on 18 March 2001, a resolution was passed to transform the Bank’s activities to be in full compliance with Islamic Shari’a rules and principles. The entire process was completed on 30 June 2002 (“the transformation date”). As a result the Bank transformed its conventional banking products into Islamic banking products during the six month period ended 30 June 2002 after negotiation and agreement with its customers.

These condensed consolidated interim financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the UAE, Sharjah National Hotels ("SNH"), Sharjah Islamic Financial Services LLC ("SIFS") and ASAS Real Estate ("ASAS") as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as the "Group”). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari’a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank’s Sukuk program.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Corporate Tax Law”) to enact a Federal corporate tax regime in the UAE. The Corporate Tax regime became effective for the accounting year beginning on or after 1 June 2023, hence for the Group it is effective from 1 January 2024. Refer to notes 27 and 28 for the details of impact of the Corporate Tax Law on the Group.

The registered office of the Bank is Post Box No.4, Sharjah, UAE.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Selected explanatory notes, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2023. These condensed consolidated interim financial statements do not include all of the information required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2023, including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

2. Basis of preparation (continued)

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the condensed consolidated interim statement of financial position which are measured at fair value:

I financial assets at fair value through profit or loss ("FVTPL");
II financial assets at fair value through other comprehensive income ("FVTOCI"); and
III investment properties at fair value.

3. Material accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2023.

New and revised IFRS adopted in the condensed consolidated interim financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts or disclosures reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group	Effective date
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	1 January 2024

The narrow-scope amendments to IAS 1 ‘Presentation of Financial Statements’ clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g.the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

3. Material accounting policies (continued)

New and revised IFRS adopted in the condensed consolidated interim financial statements (continued)

New standards and significant amendments to standards applicable to the Group (continued)	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024
The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.	

New and revised IFRS in issue but not yet effective and not early adopted

Amendments to IAS 21 - Lack of Exchangeability	1 January 2025
The amendments contain no specific requirements for estimating a spot rate. Therefore, when estimating a spot rate a company can use an observable exchange rate without adjustment or another estimation technique. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process and risks to the company because the currency is not exchangeable.	

The Group is currently assessing the impact of the above amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

4. Key accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

i) Use of estimates and judgements

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. The Bank has computed ECL using 30% weightage to the upward scenario as of 31 March 2024. Had adverse scenario been stressed from 30% by another 10% with corresponding impact on upward scenario, impairment loss allowance would increase by AED 16.3 million.

Following both regulatory mandates and industry standards, TTC PDs are adjusted based on internal rating grades that reflect historical default rates.

The Group has integrated LGD models for its various portfolios, such as non-retail secured, non-retail unsecured, consumer home financing and Islamic financing for individuals. These models are based on the actual recovery rates as observed over the period of last five years.

Judgement is also required in estimating EAD, particularly for Islamic financing commitments, including letters of credit and financial guarantee, and revolving credit facilities such as credit cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. Credit conversion factor used by the Bank for unutilized limits has been set at 20%, thus stressing EAD to current situation.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US$ 53.32/barrel to US$ 84.60/barrel, equity price index growth volatility ranging between -18.5% to 7.6%, non-oil UAE GDP range falling -3.5% to rising 7.9% and UAE CPI index ranging 0.9% to 2.0%.

The Group's management will continually monitor how the economic conditions change over the next reporting period and will re-evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2023.

i) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

ii) Capital adequacy ratio "CAR" initiatives

The Bank expects CAR in the current economic scenario to remain well above the UAE banking sector average and the baseline CBUAE BASEL III requirement of 13% including capital conservation buffer of 2.5%. In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 22 April 2020, allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aimed to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the volatility due to the COVID 19 crisis. The filter allowed Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks were however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

iii) Concentration analysis

Please refer to note 10.1 (a) and (b) to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 31 March 2024. The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2023.

iv) Profit rate risk

The principal risk to which non-trading portfolios are exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk primarily comprises of market and valuation risk, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the Asset and Liability Committee ("ALCO").

The sensitivity of the condensed consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income.

	Increase / decrease in basis point 31 March 2024 Un-audited	Increase / decrease in basis point 31 December 2023 Audited
Net profit rate sensitivity on financial assets and liabilities	**1,019**	4,075

5. Financial risk management (continued)

v) Maximum exposure to credit risk

The table below is the maximum exposure to credit risk for the Group and is shown gross, before any mitigation of collateral.

	As at 31 March 2024 (Un-audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	**107,272**	**50**	**-**	**107,322**
Loss allowance	**(7)**	**(1)**	**-**	**(8)**
Carrying amount	**107,265**	**49**	**-**	**107,314**
Murabaha and wakalah with financial institutions	**5,669,362**	**-**	**-**	**5,669,362**
Loss allowance	**(1,816)**	**-**	**-**	**(1,816)**
Carrying amount	**5,667,546**	**-**	**-**	**5,667,546**
Investment securities measured at FVTOCI (excluding equity investments)	**2,813,428**	**-**	**-**	**2,813,428**
Loss allowance	**(32,254)**	**-**	**-**	**(32,254)**
Carrying amount	**2,781,174**	**-**	**-**	**2,781,174**
Investment securities measured at amortised cost	**11,790,081**	**10,886**	**60,309**	**11,861,276**
Loss allowance	**(12,615)**	**(670)**	**(60,309)**	**(73,594)**
Carrying amount	**11,777,466**	**10,216**	**-**	**11,787,682**
Investments in Islamic financing	**31,088,294**	**1,983,407**	**1,906,059**	**34,977,760**
Loss allowance	**(153,134)**	**(237,285)**	**(1,222,877)**	**(1,613,296)**
Carrying amount	**30,935,160**	**1,746,122**	**683,182**	**33,364,464**
Other assets (excluding non-financial assets)	**1,222,660**	**-**	**37,995**	**1,260,655**
Loss allowance	**(8,727)**	**-**	**(37,995)**	**(46,722)**
Carrying amount	**1,213,933**	**-**	**-**	**1,213,933**
Net credit risk exposures relating to on-balance sheet assets	**52,482,544**	**1,756,387**	**683,182**	**54,922,113**
Letter of credit and guarantee	**1,027,091**	**4,811**	**1,034**	**1,032,936**
Loss allowance	**(3,245)**	**(201)**	**(63)**	**(3,509)**
Net credit risk exposures off-balance sheet assets	**1,023,846**	**4,610**	**971**	**1,029,427**
Net credit risk exposures	**53,506,390**	**1,760,997**	**684,153**	**55,951,540**
Gross credit risk exposure	**53,718,188**	**1,999,154**	**2,005,397**	**57,722,739**
Total loss allowance	**(211,798)**	**(238,157)**	**(1,321,244)**	**(1,771,199)**
	53,506,390	**1,760,997**	**684,153**	**55,951,540**

5. Financial risk management (continued)

v) Maximum exposure to credit risk (continued)

	As at 31 December 2023 (Audited)			
	ECL Staging			
	Stage 1 12 month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
Cash and balances with banks and financial institutions	312,391	22	-	312,413
Loss allowance	(79)	(4)	-	(83)
Carrying amount	**312,312**	**18**	**-**	**312,330**
Murabaha and wakalah with financial institutions	4,844,206	-	-	4,844,206
Loss allowance	(3,542)	-	-	(3,542)
Carrying amount	**4,840,664**	**-**	**-**	**4,840,664**
Investment securities measured at FVTOCI (excluding equity investments)	2,882,488	-	-	2,882,488
Loss allowance	(30,612)	-	-	(30,612)
Carrying amount	**2,851,876**	**-**	**-**	**2,851,876**
Investment securities measured at amortised cost	9,584,148	10,870	60,309	9,655,327
Loss allowance	(12,045)	(681)	(60,309)	(73,035)
Carrying amount	**9,572,103**	**10,189**	**-**	**9,582,292**
Investments in Islamic financing	30,661,767	2,085,311	1,891,680	34,638,758
Loss allowance	(144,928)	(258,745)	(1,204,651)	(1,608,324)
Carrying amount	**30,516,839**	**1,826,566**	**687,029**	**33,030,434**
Other assets and acceptances (excluding non-financial assets)	1,245,336	-	37,286	1,282,622
Loss allowance	(9,091)	-	(37,286)	(46,377)
Carrying amount	**1,236,245**	**-**	**-**	**1,236,245**
Net credit risk exposures relating to on-balance sheet assets	**49,330,039**	**1,836,773**	**687,029**	**51,853,841**
Letter of credit and guarantee	948,653	8,265	1,034	957,952
Loss allowance	(2,384)	(661)	(63)	(3,108)
Net credit risk exposures off-balance sheet assets	**946,269**	**7,604**	**971**	**954,844**
Net credit risk exposures	**50,276,308**	**1,844,377**	**688,000**	**52,808,685**
Gross credit risk exposure	**50,478,989**	**2,104,468**	**1,990,309**	**54,573,766**
Total loss allowance	**(202,681)**	**(260,091)**	**(1,302,309)**	**(1,765,081)**
	50,276,308	**1,844,377**	**688,000**	**52,808,685**

5. Financial risk management (continued)

vii) Capital adequacy

The capital adequacy ratio is based on Basel III and the CBUAE rules and guidelines:

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
Capital base		
Common equity tier 1	**5,992,786**	6,156,313
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**7,829,286**	**7,992,813**
Total tier 2 capital base	**547,287**	522,824
Total capital base	**8,376,573**	**8,515,637**
Risk weighted assets		
Credit risk	**43,782,968**	41,825,910
Market risk	**163,303**	166,119
Operational risk	**3,487,541**	3,132,244
Total risk weighted assets	**47,433,812**	**45,124,273**
Capital ratios		
Common equity tier 1 ratio	**12.63%**	13.64%
Tier 1 capital ratio	**16.51%**	17.71%
Capital adequacy ratio	**17.66%**	18.87%

6. Cash and balances with banks and financial institutions

Cash	**769,996**	695,291
Balances with CBUAE	**3,090,439**	1,828,652
Due from banks	**107,314**	912,669
	3,967,749	**3,436,612**

As at 31 March 2024 and 31 December 2023, balances with CBUAE includes 14 days average statutory deposit requirement of CBUAE, which is also available to fund daily operations under specified conditions.

As at 31 March 2024, due from banks include cash margin amounting to AED 10.7 million *(As at 31 December 2023: AED: 11.6 million)* against collateralised murabaha.

7. Murabaha and wakalah with financial institutions

Murabaha	**1,370,950**	1,595,725
Wakalah arrangements	**9,946,596**	8,644,939
	11,317,546	**10,240,664**

As at 31 March 2024, wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 5.7 billion *(As at 31 December 2023: AED 5.4 billion)* .

As at 31 March 2024, Murabaha and wakalah with financial institutions carry profit rates ranging from 3.75% to 9.0% per annum *(As at 31 December 2023: 4.0% to 9.0% per annum)* .

8. Investment securities measured at fair value

The Group has designated certain investments in equity instruments, funds and sukuks as FVTOCI as these are investments that the Group plans to hold in the long term for strategic reasons.

By category	**Fair value**		**Dividend income**	
	As at 31 March	**As at 31 December**	**For the three month period ended 31 March**	
	2024 Un-audited	**2023 Audited**	**2024 Un-audited**	**2023 Un-audited**
Financial assets at fair value through profit or loss				
- Equity and funds	**369,423**	354,697	**1,240**	-
- Sukuks	**347,040**	373,873	**-**	-
	716,463	**728,570**	**1,240**	**-**
Financial assets at fair value through other comprehensive income				
- Equity and funds	**376,614**	381,293	**6,024**	7,416
- Sukuks	**2,781,174**	2,882,488	**-**	-
	3,157,788	**3,263,781**	**6,024**	**7,416**
Less: loss allowance on financial assets measured at FVTOCI	**(32,254)**	(30,612)	**-**	-
	3,125,534	**3,233,169**	**6,024**	**7,416**
Total investment securities measured at fair value	**3,841,997**	**3,961,739**	**7,264**	**7,416**

By quoted / unquoted	**As at 31 March 2024 Un-audited**	**As at 31 December 2023 Audited**
Financial assets at fair value through profit or loss		
- Quoted	**386,912**	399,019
- Unquoted	**329,551**	329,551
	716,463	**728,570**
Financial assets at fair value through other comprehensive income		
- Quoted	**2,837,512**	2,955,115
- Unquoted	**320,276**	308,666
Less: loss allowance on financial assets measured at FVTOCI	**(32,254)**	(30,612)
	3,125,534	**3,233,169**
Total investment securities measured at fair value	**3,841,997**	**3,961,739**

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no investment securities measured at fair value through other comprehensive income were downgraded to stage 3 under the ECL model.

During the three month period ended 31 March 2024, the Group has purchased equity securities amounting to nil *(year ended 31 December 2023: AED 47.6 million)* .

As at 31 March 2024 and 31 December 2023, investment securities measured at fair value predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

9. Investment securities measured at amortised cost

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
By category		
- Sukuks	**11,861,276**	9,655,327
Less: loss allowance on financial assets measured at amortised cost	**(73,594)**	(73,035)
	11,787,682	**9,582,292**
By quoted / unquoted		
- Quoted	**8,370,331**	6,164,422
- Unquoted	**3,490,945**	3,490,905
Less: loss allowance on financial assets measured at amortised cost	**(73,594)**	(73,035)
	11,787,682	**9,582,292**

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no investment securities measured at amortised cost were downgraded to stage 3 under the ECL model.

As at 31 March 2024, sukuk held at amortised cost includes AED 6,918.9 million *(As at 31 December 2023: AED 4,568.9 million)* that has been pledged against a collateralized commodity murabaha arrangement.

During the three month period ended 31 March 2024, the Group has sold investment securities measured at amortised cost amounting to AED 193.9 million *(year ended 31 December 2023, the Group has sold investment securities measured at amortised cost amounting to AED 124.9 million)* .

As at 31 March 2024 and 31 December 2023, investment securities measured at amortised cost predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

The fair value of investment securities measured at amortised cost has been disclosed in note 22 of these condensed consolidated interim financial statements.

10. Investments in Islamic financing

10.1 Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk. Investments in Islamic financing comprise the following:

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
a) By product		
Vehicle murabaha	**463,776**	412,718
Goods murabaha	**12,561,416**	12,726,515
Real estate murabaha	**7,825**	8,335
Other murabaha receivable	**1,686,300**	1,355,567
Syndicate murabaha	**716,148**	642,688
Gross murabaha financing	**15,435,465**	**15,145,823**
Deferred profit	**(1,412,560)**	(1,424,113)
Net murabaha financing	**14,022,905**	**13,721,710**
Ijarah	**18,726,738**	18,668,504
Qard hasan	**894,491**	858,858
Credit card receivables	**104,296**	103,497
Istisna	**1,229,330**	1,286,189
Total investments in Islamic financing	**34,977,760**	**34,638,758**
Less: loss allowance for investments in Islamic financing	**(1,613,296)**	(1,608,324)
Net investments in Islamic financing	**33,364,464**	**33,030,434**
b) By sector		
Government departments and authorities	**12,365,365**	12,369,565
Construction and contracting	**1,537,550**	1,623,713
Manufacturing	**736,005**	726,184
Transportation	**410,156**	437,608
Real estate	**9,187,263**	9,460,160
Retail businesses	**466,949**	483,325
Trade	**2,005,012**	2,024,808
Financial institutions	**602,372**	270,886
Services and others	**1,416,288**	1,290,648
Individuals	**4,041,305**	3,903,624
Consumer home finance	**1,557,744**	1,489,697
High net worth individuals	**2,064,311**	1,982,653
Deferred profit	**(1,412,560)**	(1,424,113)
Less: loss allowance for investments in Islamic financing	**(1,613,296)**	(1,608,324)
Net investments in Islamic financing	**33,364,464**	**33,030,434**

10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segments can be seen below:

	31 December 2023 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2024 (Audited)	**30,661,767**	**144,928**	**2,085,311**	**258,745**	**1,891,680**	**1,204,651**	**34,638,758**	**1,608,324**
Retail banking								
Transfer to stage 1	**3,179**	**72**	**(3,132)**	**(80)**	**(47)**	**8**	**-**	**-**
Transfer to stage 2	**(32,596)**	**(313)**	**32,596**	**313**	**-**	**-**	**-**	**-**
Transfer to stage 3	**(6,559)**	**(95)**	**(11,677)**	**(337)**	**18,236**	**432**	**-**	**-**
Net movement in GCV	**231,474**	**-**	**(3,376)**	**-**	**(5,262)**	**-**	**222,836**	**-**
Net re-measurement of loss allowance	**-**	**2,066**	**-**	**788**	**-**	**6,114**	**-**	**8,968**
Recoveries	**-**	**-**	**-**	**-**	**(1,216)**	**(2,849)**	**(1,216)**	**(2,849)**
Write-offs	**-**	**-**	**-**	**-**	**(4,447)**	**(4,447)**	**(4,447)**	**(4,447)**
Corporate banking								
Transfer to stage 1	**11,791**	**6**	**(11,791)**	**(6)**	**-**	**-**	**-**	**-**
Transfer to stage 2	**(154,129)**	**(804)**	**154,129**	**804**	**-**	**-**	**-**	**-**
Transfer to stage 3	**(8)**	**-**	**(14,084)**	**(697)**	**14,092**	**697**	**-**	**-**
Net movement in GCV	**373,375**	**-**	**(244,569)**	**-**	**36,521**	**-**	**165,327**	**-**
Net re-measurement of loss allowance	**-**	**7,274**	**-**	**(22,245)**	**-**	**61,416**	**-**	**46,445**
Recoveries	**-**	**-**	**-**	**-**	**(6,735)**	**(6,382)**	**(6,735)**	**(6,382)**
Write-offs	**-**	**-**	**-**	**-**	**(36,763)**	**(36,763)**	**(36,763)**	**(36,763)**
Balance at 31 March 2024 (Un-audited)	**31,088,294**	**153,134**	**1,983,407**	**237,285**	**1,906,059**	**1,222,877**	**34,977,760**	**1,613,296**

10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segments can be seen below:

	31 December 2023 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2023	**27,765,671**	**117,761**	**2,499,293**	**316,918**	**1,943,974**	**1,102,742**	**32,208,938**	**1,537,421**
Retail banking								
Transfer to stage 1	15,452	515	(15,436)	(520)	(16)	5	-	-
Transfer to stage 2	(35,488)	(359)	35,488	359	-	-	-	-
Transfer to stage 3	(128,527)	(1,420)	(19,538)	(787)	148,065	2,207	-	-
Net movement in GCV	464,622	-	(5,634)	-	(98,718)	-	**360,270**	-
Net re-measurement of loss allowance	-	1,183	-	727	-	25,853	-	**27,763**
Recoveries	-	-	-	-	(4,515)	(3,641)	**(4,515)**	**(3,641)**
Write-offs	-	-	-	-	(32,137)	(32,137)	**(32,137)**	**(32,137)**
Corporate banking								
Transfer to stage 1	290,453	70,807	(290,453)	(70,807)	-	-	-	-
Transfer to stage 2	(536,984)	(3,831)	536,984	3,831	-	-	-	-
Transfer to stage 3	(328,801)	(3,508)	(100,159)	(8,959)	428,960	12,467	-	-
Net movement in GCV	3,155,369	-	(555,234)	-	(398,005)	-	**2,202,130**	-
Net re-measurement of loss allowance	-	(36,220)	-	17,983	-	193,824	-	**175,587**
Recoveries	-	-	-	-	(19,058)	(17,625)	**(19,058)**	**(17,625)**
Write-offs	-	-	-	-	(76,870)	(79,044)	**(76,870)**	**(79,044)**
Balance at 31 December 2023	**30,661,767**	**144,928**	**2,085,311**	**258,745**	**1,891,680**	**1,204,651**	**34,638,758**	**1,608,324**

10. Investments in Islamic financing (continued)

10.3 Portfolio wise analysis of ECL movement during the period

	31 March 2024 (Un-audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as of 1 January 2024 (Audited)	**144,928**	**258,745**	**1,204,651**	**1,608,324**
Retail banking				
Credit cards	**318**	**(25)**	**208**	**501**
Housing finance	**920**	**138**	**(700)**	**358**
Personal finance	**85**	**482**	**(480)**	**87**
Auto finance	**407**	**89**	**230**	**726**
Corporate banking				
Government and related exposures	**(87)**	**-**	**-**	**(87)**
Other corporates	**(1,187)**	**(26,461)**	**16,011**	**(11,637)**
High net worth individuals	**2,849**	**(11,882)**	**3,608**	**(5,425)**
Small and medium enterprises ("SMEs")	**4,901**	**16,199**	**(651)**	**20,449**
ECL allowance as of 31 March 2024 (Un-audited)	**153,134**	**237,285**	**1,222,877**	**1,613,296**

	31 December 2023 (Audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as of 1 January 2023 (Audited)	**117,761**	**316,918**	**1,102,742**	**1,537,421**
Retail banking				
Credit cards	(430)	15	(433)	**(848)**
Housing loans	8,631	(287)	(1,112)	**7,232**
Personal loans	(9,000)	26	(6,580)	**(15,554)**
Auto loans	718	25	412	**1,155**
Corporate banking				
Government and related exposures	(1,551)	-	-	**(1,551)**
Other corporates	4,074	(44,340)	(28,960)	**(69,226)**
High net worth individuals	13,787	(17,440)	101,162	**97,509**
Small and medium enterprises ("SMEs")	10,938	3,828	37,420	**52,186**
ECL allowance as of 31 December 2023 (Audited)	**144,928**	**258,745**	**1,204,651**	**1,608,324**

11. Other assets

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
Prepaid expenses and other advances	**60,829**	55,219
Profit receivable	**552,421**	472,927
Sundry debtors	**206,797**	230,636
Assets purchased against Investment in Islamic financing	**25,911**	38,071
Others	**298,909**	369,456
Less: loss allowance under IFRS 9 on other financial assets	**(50,105)**	(49,017)
	1,094,762	**1,117,292**

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no significant financial assets included within 'Other assets' were downgraded to stage 3 under the ECL model.

12. Property and equipment and intangible assets

12.1 Property and equipment

Freehold land and buildings	**796,019**	799,305
Equipment, furniture and fittings	**26,510**	27,200
Computer equipment	**25,478**	25,149
Motor vehicles	**1,646**	1,890
Right of use assets	**26,225**	27,358
Capital work in progress	**12,404**	9,041
	888,282	**889,943**

The above balances are presented net off accumulated depreciation and accumulated impairment, if any.

12.2 Intangible assets

Software	**49,909**	51,741
Capital work in progress	**10,722**	9,923
	60,631	**61,664**

The above balances are presented net off accumulated amortisation and accumulated impairment, if any.

13. Customers' deposits

Current accounts	**11,970,896**	12,777,857
Saving accounts	**3,223,105**	3,115,965
Watani / call accounts	**923,846**	705,611
Escrow accounts	**2,599,528**	2,174,214
Time deposits	**4,537,099**	4,066,291
Wakala deposits	**21,454,941**	22,053,592
Margins	**369,394**	313,044
	45,078,809	**45,206,574**

14. Sukuk payable

Name of instrument	Maturity date	Profit rate	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
SIB Sukuk 2025	23 June 2025	2.85%	**1,835,139**	1,834,869
Total			**1,835,139**	**1,834,869**

15. Other liabilities

Profit payable	**565,710**	522,499
Accrual and provision	**101,096**	83,878
Accounts payable	**271,232**	244,644
Provision for staff end of service benefits	**113,354**	106,272
Managers' cheques	**146,798**	104,951
Sundry creditors	**366,408**	283,704
Corporate tax payable	**25,401**	-
Deferred tax liability *(note 28)*	**5,192**	-
Payables against assets purchased	**24,244**	16,723
Lease obligation *(note 15.1)*	**19,671**	18,662
	1,639,106	**1,381,333**

15.1 *Lease obligation*

Balance at the beginning of the period / year	**18,662**	14,136
Additions during the period / year	**1,534**	5,503
Payment made during the period / year	**(657)**	(2,079)
Amortisation during the period / year	**132**	1,102
Balance at the end of the period / year	**19,671**	**18,662**

16. Share capital

	As at 31 March 2024 Un-audited		As at 31 December 2023 Audited	
	No. of shares	**Value**	**No. of shares**	**Value**
Issued and fully paid up share capital	**3,235,677,638**	**3,235,678**	3,235,677,638	3,235,678

17. Proposed directors' remuneration

In accordance with the Article 171 of Commercial Companies Law No. 32 of 2021, the proposed directors' remuneration for the year ending 31 December 2024 is AED 10 million *(year ended 31 December 2023: AED 10 million)* .

18. Net fee and commision income

	For the three month period ended 31 March	
	2024 Un-audited	**2023 Un-audited**
Fee and commission income		
Commission income	**51,327**	34,298
Fees and charges on banking services	**27,704**	19,343
Card related fees	**18,868**	15,216
Takaful commision	**4,549**	5,167
	102,448	**74,024**
Fee and commission expense		
Commission expense	**4,625**	3,091
Card related expense	**16,559**	9,570
Takaful expense	**3,438**	3,526
	24,622	**16,187**

19. Other income

Income from hospitality and brokerage	**15,376**	10,852
Rental income	**18,064**	11,349
Income from disposal of properties	**-**	5,189
Gain on disposal of property and equipment	**3**	-
Other income	**76**	25
	33,519	**27,415**

20. Segment reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which has been identified as the Board of Directors of the Bank and members of its executive committees who assess the financial performance and position of the Group and makes strategic decisions. The Group's activities comprise the following main business segments:

a). Government and corporate
Within this business segment the Bank provides companies, institutions and government and government departments with a range of Islamic financial products and services. This includes exposure to high net worth individuals.

b). Retail
The retail segment provides a wide range of Islamic financial services to individuals.

c). Investment and treasury
This segment mainly includes wakalah deals with other financial institutions, investments securities, investment properties and other money market activities.

d). Hospitality, brokerage and real estate
The Bank on its own and through its subsidiary ASAS provides real estate services, whereas SNH and SIFS provide hospitality and brokerage services respectively.

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated interim statement of profit or loss:					
For the three month period ended 31 March 2024 (Un-audited)					
Income from investments in Islamic financing and sukuks	**419,182**	**101,565**	**337,319**	**-**	**858,066**
Distribution to depositors and sukuk holders	**(317,943)**	**(45,174)**	**(126,863)**	**-**	**(489,980)**
Net income from financing and investment products	**101,239**	**56,391**	**210,456**	**-**	**368,086**
Fee and commssion income	**40,548**	**21,685**	**24,266**	**15,949**	**102,448**
Fee and commission expense	**(10,538)**	**(5,976)**	**(8,108)**	**-**	**(24,622)**
Net fee and commission income	**30,010**	**15,709**	**16,158**	**15,949**	**77,826**
Investment income	**-**	**-**	**7,961**	**-**	**7,961**
Foreign exchange income	**12,689**	**2,102**	**4,073**	**(1,509)**	**17,355**
Other income	**-**	**-**	**81**	**33,438**	**33,519**
Total operating income	**143,938**	**74,202**	**238,729**	**47,878**	**504,747**
General and administrative expenses	**-**	**-**	**-**	**(14,762)**	**(14,762)**
General and administrative expenses - unallocated	**-**	**-**	**-**	**-**	**(159,583)**
Net operating income before impairment	**143,938**	**74,202**	**238,729**	**33,116**	**330,402**
Impairment on financial assets - net of recoveries	**(23,568)**	**(2,027)**	**(18,619)**	**(782)**	**(44,996)**
Profit before tax	**120,370**	**72,175**	**220,110**	**32,334**	**285,406**
Taxation	**-**	**-**	**-**	**-**	**(25,750)**
Profit for the period	**120,370**	**72,175**	**220,110**	**32,334**	**259,656**
Condensed consolidated interim statement of financial position:					
As at 31 March 2024 (Un-audited)					
Assets					
Segment assets	**28,940,291**	**5,521,238**	**31,438,398**	**3,169,159**	**69,069,086**
Unallocated assets	**-**	**-**	**-**	**-**	**1,047,108**
Total assets	**28,940,291**	**5,521,238**	**31,438,398**	**3,169,159**	**70,116,194**
Liabilities					
Segment liabilities	**36,425,867**	**8,812,773**	**15,839,509**	**601,092**	**61,679,241**
Unallocated liabilities	**-**	**-**	**-**	**-**	**381,161**
Total liabilities	**36,425,867**	**8,812,773**	**15,839,509**	**601,092**	**62,060,402**

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated statement of profit or loss:					
For the three month period ended 31 March 2023 (Un-audited):					
Income from investments in Islamic financing and sukuks	352,938	94,909	246,755	-	**694,602**
Distribution to depositors and sukuk holders	(211,412)	(21,910)	(90,903)	-	**(324,225)**
Net income from financing and investment products	**141,526**	**72,999**	**155,852**	**-**	**370,377**
Fee and commssion income	35,663	17,342	7,100	13,919	**74,024**
Fee and commission expense	(6,902)	(4,942)	(4,343)	-	**(16,187)**
Net fee and commission income	**28,761**	**12,401**	**2,756**	**13,919**	**57,837**
Investment income	-	-	11,537	-	**11,537**
Foreign exchange income / (loss)	7,637	998	3,980	4,065	**16,680**
Other income	-	-	25	27,390	**27,415**
Total operating income	**177,924**	**86,398**	**174,150**	**45,374**	**483,846**
General and administrative expenses	-	-	-	(11,994)	**(11,994)**
General and administrative expenses - unallocated	-	-	-	-	**(144,131)**
Net operating income before impairment	**177,924**	**86,398**	**174,150**	**33,380**	**327,721**
Impairment on financial assets - net of recoveries	(81,763)	(2,040)	(10,451)	(401)	**(94,655)**
Profit for the period	**96,161**	**84,358**	**163,699**	**32,979**	**233,066**
Consolidated statement of financial position:					
As at 31 December 2023 (Audited)					
Assets					
Segment assets	29,172,310	5,303,172	27,361,142	3,015,321	**64,851,945**
Unallocated assets	-	-	-	-	**1,027,036**
Total assets	**29,172,310**	**5,303,172**	**27,361,142**	**3,015,321**	**65,878,981**
Liabilities					
Segment liabilities	36,943,593	8,221,769	11,363,516	691,990	**57,220,868**
Unallocated liabilities	-	-	-	-	**531,445**
Total liabilities	**36,943,593**	**8,221,769**	**11,363,516**	**691,990**	**57,752,313**

21. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to / from entities under common control of either major shareholders or key management personnel. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties. At the reporting date, such significant balances include:

	Key management personnel	Major shareholders	Other related parties	Total
Condensed consolidated interim statement of financial position as at 31 March 2024 (Un-audited)				
Investment securities measured at fair value	**-**	**601,857**	**-**	**601,857**
Investment securities measured at amortised cost	**-**	**963,979**	**-**	**963,979**
Investments in Islamic financing	**469,410**	**4,153,287**	**5,731,389**	**10,354,086**
Customers' deposits	**(262,353)**	**(3,651,031)**	**(3,695,586)**	**(7,608,970)**
Contingent liabilities	**-**	**1,483**	**204,266**	**205,749**
Consolidated statement of financial position as at 31 December 2023 (Audited)				
Investment securities measured at fair value	-	602,509	-	**602,509**
Investment securities measured at amortised cost	-	963,979	-	**963,979**
Investments in Islamic financing	441,672	4,239,638	5,778,496	**10,459,806**
Customers' deposits	(224,179)	(3,890,069)	(3,521,260)	**(7,635,508)**
Contingent liabilities	-	3,142	164,123	**167,265**
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2024 (Un-audited)				
Income from Islamic financing and investment securities	**3,989**	**68,008**	**102,676**	**174,673**
Depositors' share of profit	**(797)**	**(45,115)**	**(24,994)**	**(70,906)**
Fee and commission income	**-**	**-**	**398**	**398**
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2023 (Un-audited)				
Income from Islamic financing and investment securities	4,176	64,542	74,497	**143,215**
Depositors' share of profit	(730)	(31,165)	(16,072)	**(47,967)**
Fee and commission income	**-**	**-**	314	**314**

Key management compensation includes salaries and other short term benefits of AED 6.2 million for the three month period ended 31 March 2024 *(three month period ended 31 March 2023: AED 6.8 million)* and post-employment benefits of AED 0.9 million for the three month period ended 31 March 2024 *(three month period ended 31 March 2023: AED 0.5 million)* .

Major shareholders include Sharjah Asset Management LLC, Kuwait Finance House and Sharjah Social Security Fund who hold 28.46%, 18.18% and 9.09% of the Bank's issued and fully paid up share capital respectively. The remaining shareholders do not own more than 1% of the share capital individually. The ultimate controlling party of the Bank is the Government of Sharjah.

As at 31 March 2024 or 31 December 2023, the Group does not have any related party balances classified as stage 3.

22. Fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

22. Fair value measurement (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
At 31 March 2024 (Un-audited)				
Financial assets				
Investment securities - FVTPL	**386,912**	**-**	**329,551**	**716,463**
Investment securities - FVTOCI	**2,805,325**	**-**	**320,209**	**3,125,534**
	3,192,237	**-**	**649,760**	**3,841,997**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**3,008,216**	**3,008,216**

	Level 1	Level 2	Level 3	Total
At 31 December 2023 (Audited)				
Financial assets				
Investment securities - FVTPL	399,019	-	329,551	728,570
Investment securities - FVTOCI	2,924,503	-	308,666	3,233,169
	3,323,522	**-**	**638,217**	**3,961,739**
Non-financial assets				
Investment properties at fair value	-	-	2,822,991	2,822,991

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values, other than investments measured at amortised cost for which the fair value is calculated using Level 1 inputs. As at 31 March 2024, fair value for investments measured at amortised cost amounts to AED 11,685 million (As at 31 December 2023: AED 9,653.7 million) against carrying value of AED 11,788 million *(As at 31 December 2023: 9,582.3 million)* .

There were no transfers of any financial instruments between any of the levels in the fair value hierarchy during the three month period ended 31 March 2024 or during the year ended 31 December 2023.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

	For the three month period ended 31 March 2024 (Un-audited)		For the year ended 31 December 2023 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at the beginning of the period / year	**329,551**	**308,666**	329,239	393,167
Fair value movement during the period / year	**-**	**596**	1,020	34,783
Additions during the period / year	**-**	**11,796**	-	(119,927)
Disposals during the period / year	**-**	**(782)**	**(708)**	**643**
Balance at the end of the period / year	**329,551**	**320,276**	**329,551**	**308,666**

22. Fair value measurement (continued)

	31 March 2024 Un-audited	31 December 2023 Audited
Non-financial assets - Investment properties		
Balance at the beginning of the period / year	**2,822,991**	3,085,729
Additions during the period / year	**186,734**	24,468
Transfer from held-for-sale during the period / year	-	14,468
Transfer to properties held for sale during the year	-	(22,407)
Disposals during the period / year	-	(65,941)
Loss on revaluation during the year	-	(221,497)
Exchange differences	**(1,509)**	8,171
Balance at the end of the period / year	**3,008,216**	**2,822,991**

During the three month period ended 31 March 2024, the Group did not transfer any properties between properties held for sale and investment properties *(year ended 31 December 2023, the Group transferred a property of AED 14.5 million from properties held for sale to investment properties and transferred a property of AED 22.4 million from investment properties to properties held for sale)* . This has no impact on condensed consolidated interim statement of cash flows for the three month period ended 31 March 2024 or the three month period ended 31 March 2023.

Unobservable inputs used in measuring fair value

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, discounted cash flow / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed. The carrying amount of the investment properties is the fair value of the properties as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on an annual basis. The valuation techniques used for fair valuation of the investment properties were disclosed in the consolidated financial statements for the year ended 31 December 2023.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects:

	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
For the three month period ended 31 March 2024 (Un-audited)	**333,777**	**(333,777)**	**32,021**	**(32,021)**
For the year ended 31 December 2023 (Audited)	315,254	(315,254)	30,867	(30,867)

23. Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon the accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

24. Dividends

During the annual general meeting of the shareholders held on 18 February 2024, a cash dividend of 10% of the paid up capital, amounting to AED 323.6 million (AED 0.1 per share) was approved for the year ended 31 December 2023 *(During the annual general meeting of the shareholders held on 26 February 2023, a cash dividend of 10% of the paid up capital, amounting to AED 308.2 million (AED 0.1 per share) and 5% bonus shares amounting AED 154.1 million (1 share for each 20 shares) was approved for the year ended 31 December 2022)* .

25. Contingencies and commitments

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
Letters of credit	**428,050**	346,253
Letters of guarantee	**2,878,605**	2,730,974
Commitments	**1,177,317**	906,133

Total net asset value of the funds under management as at 31 March 2024 amounts to AED 2,231.7 million *(As at 31 December 2023:AED 2,172.0 million).*

26. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the three month period ended 31 March 2024.

27. Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("UAE CT Law" or the "Law") to enact a Federal corporate tax ("CT") regime in the UAE. The Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023 (where the Tax Period is generally aligned with the financial accounting period). The UAE CT Law was applicable to the Group with effect from 1 January 2024.

27. Taxation (continued)

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. Since its publication, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law, and are required to fully evaluate the impact of the UAE CT Law on the Group. With the publication of this Decision, we would consider the UAE CT Law to be substantively enacted for the purposes of IAS 12 – Income Taxes, and that the impact of the UAE CT Law should be assessed on the condensed consolidated interim financial statements for the Group.

The Group had performed an assessment of the potential impact of the UAE CT Law. Based on this assessment, there were no material temporary differences on which deferred taxes should be accounted for as of 31 December 2023 and accordingly the implementation of the UAE CT Law had no impact on the consolidated statement of financial position of the Group as at 31 December 2023 nor on the consolidated statement of profit or loss of the Group for the year ended 31 December 2023.

Subsequently, the Group has accounted for current and deferred tax in accordance with IAS 12 'Income Taxes'.

The major components of income tax expense for the three month period ended 31 March 2024 are:

	For the three month period ended 31 March	
	2024 Un-audited	**2023 Un-audited**
Condensed consolidated interim statement of profit or loss		
Current tax charge / (income):		
- Current tax charge	**25,750**	**-**
Deferred tax charge / (income):		
- Relating to origination and reversal of temporary differences	-	-
- Relating to enactment of UAE corporate income tax	-	-
Tax expense for the period reported in the condensed consolidated statement of profit or loss	**25,750**	**-**
Condensed consolidated interim statement of other comprehensive income		
Current tax charge / (income):		
- Unrealized loss on revaluation of FVTOCI equity investments	**(349)**	**-**
Deferred tax charge / (income):		
- Unrealized gain on revaluation of FVTOCI sukuk investments	**5,192**	**-**
Deferred tax expense / (income) to other comprehensive income	**4,843**	**-**

27. Taxation (continued)

Reconciliation of tax expense and the accounting profit

	For the three month period ended 31 March	
	2024	**2023**
	Un-audited	**Un-audited**
Accounting profit before tax	**285,406**	233,066
At United Arab Emirates' statutory corporate tax rate of 9% *(2023: 0%)*	**25,687**	**-**
Effect of standard exemption	**(34)**	**-**
Non-deductible expenses for tax purposes	**97**	**-**
At the effective income tax rate of 9.02% ***(2023: 0%)***	**25,750**	**-**

28. Deferred tax

	As at 31 March 2024	As at 31 December 2023
	Un-audited	**Audited**
Unrealized gain on revaluation of FVTOCI sukuk investments	**(5,192)**	**-**
Deferred tax asset / (liabilities)	**(5,192)**	**-**
Recognised in profit or loss	**-**	-
Recognised in other comprehensinve income	**(5,192)**	-
Deferred tax asset / (liabilities)	**(5,192)**	**-**

29. Basic and diluted earnings per share

	For the three month period ended 31 March	
	2024	**2023**
	Un-audited	**Un-audited**
Profit for the period	**259,656**	233,066
less: Profit on Tier 1 sukuk	**(45,912)**	(45,912)
Adjusted profit for the period	**213,744**	**187,154**
Weighted average number of ordinary shares (in '000)	**3,235,678**	**3,235,678**
Basic earnings per share (U.A.E. Dirhams)	**0.07**	**0.06**

There is no dilution impact on basic earnings per share.

30. Comparatives

Certain prior period / year comparatives have been reclassifed in these condensed consolidated interim financial statementsto conform to the current year's presentation.

31. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of Directors on 22 April 2024. The Directors have the power to amend the condensed consolidated interim financial statements after issue.